

Prepared Statement of Marianne Moe
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Commissioner Shulman, Deputy Commissioner Ernst, and Director Hawkins, good morning. My name is Marianne Moe. I have been involved in various capacities in the tax preparation industry for over 30 years. For the past 21 years, I have operated 10 Jackson Hewitt offices in the western suburbs of Chicago. My offices are open year-round and employ about 70 tax preparers. In 2008, these offices prepared and filed approximately 5,000 tax returns on behalf of our clients.

I am here today to offer my strong support for implementation of a federal standard that will require registration and qualification for all tax preparers, regardless of their level of professional education or expertise.

Tax preparers play an important role in insuring that tax returns are properly prepared. There is no exception to this rule—and because of it I believe all tax preparers should be held to a high standard.

I have seen countless examples of poor tax preparation during my career. Too many times, customers have come into one of my offices as a result of a bad experience with an unscrupulous preparer or after they have received an audit letter from the IRS for a mistake that should never have occurred. A lot of preparers simply are not educated in state and federal tax law which leads to countless mistakes. For example, a customer came into one of my offices earlier this year after receiving an audit letter from the IRS. It seems her original preparer reported her tip income on her Schedule C—although her tip income had already been reported on her W-2. This led to the customer paying Social Security and Medicare taxes twice to both the federal and state governments. Once one of my preparers unraveled the error, the customer was owed a \$962 refund. With proper preparer education, situations like these could be avoided.

I am confident that any client who comes to one of my offices receives competent and courteous tax preparation service. Throughout my tenure in the industry, I have conducted tax schools and required preparers in my offices to complete education requirements that exceeded those maintained by others in the industry. I feel so strongly about this that I have often paid for preparer training out of my own pocket. These efforts have paid off—my offices have maintained a perfect record of never having had a return rejected by the IRS.

What I have just described are my own personal views on tax preparer education and training, but they are mirrored by Jackson Hewitt. Jackson Hewitt requires all of its preparers to receive robust training in changes to federal and state tax laws. Company preparers also receive ethics training and are required to abide by a code of conduct.

Although Jackson Hewitt and some other tax preparation companies maintain training and ethics standards, many preparers do not. This leads to inconsistency across the industry with respect to compliance with the tax laws.

This lack of consistency in the tax preparation industry also provides opportunities for some taxpayers to “shop” tax preparers seeking a preparer that will allow them to file their return without being required to answer due diligence questions or even provide necessary documentation, including their W-2s.

I believe this behavior on the part of some tax preparers and taxpayers can be reduced or even eliminated by establishing an enforceable federal standard that requires registration and qualification of all tax preparers. From a preparer standpoint, I believe the standard should focus in five specific areas:

1. Transition. The transition to and operation of the new federal standard must be seamless and transparent to the taxpayer community. For some taxpayers, filing their annual tax return is the largest financial transaction they undertake. Preparers and the IRS share a responsibility to insure that the preparation and processing of tax returns, tax payments, and refunds are handled properly and without delay. Seamless integration and operation of a registration system will carry the same responsibility. As a small business owner, I am keenly aware that my business can ill afford the potential damage to its reputation if errors occur in a registration system that leads to returns being rejected and preparers being wrongly “tagged” as noncompliant. If this effort is undertaken it is essential that it be done right—the first time.
2. Outreach. The IRS should partner with preparers on an education and outreach program focusing on the benefits the new standard will bring to taxpayers and to the tax preparation industry as a whole. The outreach program should seek ways to enlist tax preparers and the public in an effort to monitor the profession so that the actions of unscrupulous preparers are quickly brought to the attention of the IRS for enforcement action.
3. Burden. The financial and paperwork burden placed on preparers to comply with the federal standard should be kept to a minimum so that the standard is not perceived as an impediment to encouraging individuals to become tax preparers.
4. Registration first, then education. The IRS must first require all preparers to register with the federal government. This will provide valuable information regarding the size and scope of the tax preparer community that will help guide implementation of the education phase of the federal standard. Education and ethics requirements should be put in place as soon as possible following implementation of registration requirements. These requirements should apply to all preparers, regardless of their professional status or length of service. Experience does not equal competency, and every preparer can benefit from periodic education and testing on elements of the tax law.
5. Enforcement. Effective enforcement mechanisms must be in operation from the first date of registration—and enforcement must be swift and definitive. This

may be the most important requirement of any proposed plan because rules and requirements without enforcement will simply add to the problem and perhaps even make matters worse.

Once again, I strongly support a federal standard of tax preparer registration and qualification. This is an important step in purging the tax preparation industry of unscrupulous preparers and providing taxpayers with the level of confidence and “seal of approval” they need to insure that the preparer they choose provides them competent service backed by a strong commitment to ethics and honesty.

Thank you for the opportunity to address this forum. I will be happy to answer any questions you have.